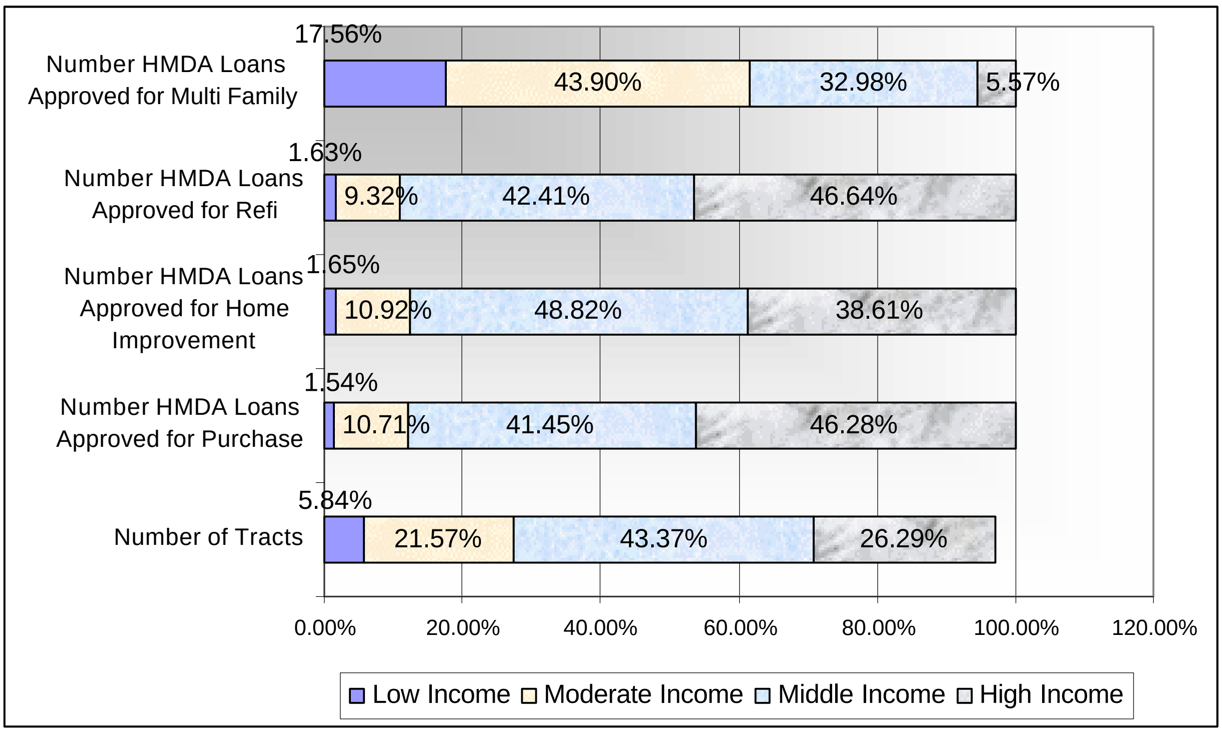
Section IV

HOME MORTGAGE DISCLOSURE ACT LOANS

The San Diego City/County Reinvestment Task Force Economist Al Field supplied residential loan data, which covered the time period from 1992 – 1997, as shown in Table IV-1. This HMDA LARS (loan application register) data included information on the purpose of the loan – home purchase, refinance, home improvement or multi family – as well as the disposition of the application – approved, denied, etc. 1997 was a favorable year for home purchases, given relatively lower prices combined with low interest rates. The following graph summarizes the 1997 HMDA loan distribution by the income classification of the census tracts.



The following tables Table IV-2 and IV-3 summarize the numbers and dollars of HMDA loans by purpose and income classification of the census tract.

Table V-2

Table V-3

The following table summarizes the rate of lending per 1,000 housing structures by the purpose of the loan and the income classification of the tract.

The distribution of HMDA reported loans, by purpose and rate per 1,000 housing structures, are summarized in Exhibits IV-1 through IV-4.

The rate of HMDA reported loans per 1,000 housing units for home purchases, home improvements, and refinancing were much lower in the low and moderate-income tracts than in the middle and high-income tracts.

Table IV - 4
1997 HMDA Loan Distribution per Thousand Housing Structures by Income Classification
Loan Dollars in Thousands ($000)

	Low Income	Moderate Income	Middle Income	High Income	Not Reported	Grand Total
Number HMDA Loans Approved for Purchase	11.52	18.14	34.36	62.17	116.28	37.39
Dollar HMDA Loans Approved for Purchase	$1,057	$2,076	$4,796	$12,875	$17,523	$6,258
Number HMDA Loans Approved for Home Improvement	1.98	2.95	6.45	8.26	0.00	5.95
Dollar HMDA Loans Approved for Home Improvement	$46	$74	$187	$378	$0	$208
Number HMDA Loans Approved for Refi	10.15	13.15	29.29	52.20	23.26	31.15
Dollar HMDA Loans Approved for Refi	$834	$1,482	$3,858	$11,082	$4,523	$5,193
Number HMDA Loans Approved for Multi Family	1.62	0.92	0.34	0.09	0.00	0.46
Dollar HMDA Loans Approved for Multi Family	$498	$715	$392	$117	$0	$392

HMDA reported loans comprise only a portion of mortgage lending in San Diego County. Other entities that are not required to report lending activity, per the Community Reinvestment Act, also are active mortgage lenders. These entities include individuals, partnerships, corporations, trusts, government agencies, and others. The San Diego City-County Reinvestment Task Force recently prepared a report entitled **Fair Access to Mortgage Credit: San Diego** (June 30, 1999). This report analyzed 1995 HMDA data and non-HMDA reported mortgage loans, as reported by DataQuick, to evaluate total housing loan volume in San Diego County. Some of this report's major findings include the following:

- In 1995, HMDA reported single-family mortgage loans comprised 72 percent of total mortgage loans in the region's low and moderate income tracts, 71 percent of total mortgage loans in the region's middle and upper income tracts, and 71 percent overall.

Exhibit IV-1

Exhibit IV-2

Exhibit IV-3

Exhibit IV-4

- In 1995, HMDA reported multi-family mortgage loans comprised 61 percent of total mortgage loans in the region's low and moderate income tracts, 51 percent of total mortgage loans in the region's middle and upper income tracts, and 55 percent overall.

- While 16 government and quasi-public agencies recorded loans in 1995, which are not reported per HMDA, only five had loan volume over $1 million, and of these, only three issued residential loans – the Veterans Administration, the Federal National Mortgage Association, and HUD.

- While the number of bank branches have decline, there is no empirical correlation between the number and location of retail branch locations and single family mortgage origination. This is attributable, in part, to the growing practice of sending loan officers out to customers rather than customers coming to them, the common use of mortgage brokers, the growing number of internet-based mortgage companies, and loan processing by mail and phone.

- There is some evidence that large banking institutions that have multi-family and commercial lending programs are more likely to make loans in areas surrounding retail branch locations.

- During the last decade, there has been a large increase in single family lending in low and moderate income neighborhoods, and to low and moderate income individuals and minorities.

As shown in Table IV-4, based in 1997 HMDA data, the low-income tracts have fewer loans per households for single-family, refinance, and home improvement mortgages than the low an moderate income tracts combined, but a slightly higher ratio of multi-family loans. Both the low-income tracts and the combined low/moderate income tracts have a much lower rate of these types of loans than middle/high income tracts. However, these lower income tracts did have a higher rate of multi-family loans. Since middle/high income tracts tend to include many of the new growth areas in the region with new housing development, and, by definition, have higher average incomes, a higher rate of single-family loans would be expected. Almost all of the low and moderate-income tracts exist in older established communities with older housing stock. One might expect a more comparable rate of refinance and home improvement loans in these older communities; however, the relative difference in the rate of loans per household between low/moderate income tracts and middle/high income tracts remains similar regardless of the purpose of the loan.

Table IV-5

ESMATEDT1997 HMDA LOANS PER HOUSEHOLD*

Tracts	1-4 Single-Family Units	Refinance Loans	Home Improvement	Multi-Family Loans
Low-Income	.012	.011	.002	.002
Low/Mod Inc.	.018	.014	.003	.001
Mid/High Inc.	.048	.040	.008	<.001

***** Beginning 1998 households

The required income level to support the average loan amount was estimated for low income tracts, low and moderate income tracts combined, and middle-high income tracts. This income level was based on an assumed average loan term of 7.5%, at 30 years, with 15% down, and a 30% loan payment to gross income ratio. The estimated required household income for an average loan was then divided by the median household income to generate an affordability ratio. Under these assumptions, the following ratios were derived:

- Low income tracts 113.4%
- Low/Moderate income tracts 97.7%
- Middle/High income tracts 77.0%

These ratios imply that the home price supported by an average loan in low-income tracts required an income that was 113.4 percent of the median household income in low-income tracts, which represents a significant affordability problem. The 97.7 percent ratio in low/moderate income tracts, combined, imply that the average home price financed with HMDA reported loans was relatively affordable to households with at least the median income. The 77 percent in middle/high income tracts imply that the average home price in these tracts supported by HMDA reported loans was affordable to households with less than the median household income in these tracts.

This same analysis was conducted by relaxing the terms of the loans slightly. The average interest rate assumption was dropped by .25 basis points, the home price was reduced by 5 percent, and the down payment requirement was decreased to an average of 10 percent. The result was a slight marginal improvement in the affordability ratios for low-income tracts to 111.3 percent and an improvement for low/moderate income tracts to 95.9 percent. This slight improvement in affordability would marginally increase the number households that could afford to buy homes, if the homes were available.

While there are some acknowledged distortions by comparing required incomes among home buyers based on mean average loan amounts, with median incomes in the area, these comparisons generally illustrate how low-income tracts face greater difficulties in finding affordable homes. A shortage of available affordable homes would tend to bid-up the price of housing so that fewer households in the area can afford them. This appears to be the case in low-income tracts. This analysis, however, is based on homes that were actually purchased using HMDA reported loans. While the average home that was purchased may be affordable to the average household in the combined low/moderate income tracts, it does not necessarily mean that enough homes in the affordable price range exist to meet potential latent demand. The much lower number of home loans per household in low and low/moderate income tracts, and the much lower than average homeownership rates in many of these areas, is possible evidence that demand for home loans in these areas would grow if more affordable homes were made available.